

*Head of Gas & Pipelines Unit: Steve Wing*

Office of Gas and Electricity Markets  
Ofgem  
9 Millbank  
London  
SW1P 3GE

Your reference:

Our reference:

Date: 1 February 2006

**For the attention of: Joanna Whittington, Director, Gas Distribution**

Dear Joanna

**GAS DISTRIBUTION PRICE CONTROL REVIEW [GDPCR] INITIAL CONSULTATION  
DECEMBER 2005**

HSE welcomes the opportunity to comment on this initial consultation document. We found our meeting with you on 5 October 2005 very helpful and look forward to working with you as the review progresses. You may feel further bi-lateral meetings are helpful and we are happy to contribute to GDPCR working groups where necessary.

We are pleased to see that the document recognises the importance of the Gas Distribution Networks [GDNs] meeting their safety responsibilities. Provision of funding to allow the GDNs to comply with HSE's Iron Mains Replacement Policy and to meet their Approved Mains Replacement Programmes [MRPs] is a particularly important part of your review. However, as your document highlights, GDNs also have a wide range of other safety responsibilities which need to be considered.

Since Transco started the accelerated MRP in 2002, the GDNs have reduced significantly the risk to the public from iron mains failures. Because of the way mains have been prioritised for replacement, to-date the programme has generally targeted the smaller diameter mains. Your document recognises that large diameter mains now account for a significant proportion of the higher risk mains and will have to be replaced in greater lengths in the forthcoming years. The costs associated with replacing large diameter mains are far higher than for smaller diameters.

HSE see opportunities for the GDNs to improve the effectiveness of their MRPs. For example, within this price control review period, HSE agreed changes to the way mains were prioritised for replacement. This allowed larger projects to be developed, improving efficiency and still delivering equivalent reductions in risk. HSE is open to further discussions with the GDNs on how they prioritise replacement which we believe may bring further efficiency improvements. This may provide an opportunity for shortening the overall time frame for the programme (set on what was considered practicable at the time) and for sharing the benefits of increased efficiency between the consumer and GDN.

The mains replacement programmes cover iron mains. Under the Pipelines Safety Regulations 1996, the GDNs have an absolute duty to maintain all pipelines in good repair. Funding for maintaining steel mains and services will therefore have to be considered carefully. Currently the majority of services are maintained by replacing them in association with iron mains replacement projects. HSE has been content with this policy but would welcome further discussions if the review has a material impact on the present arrangements.

Some of the GDNs recently raised with HSE arrangements for maintaining steel mains. We have not agreed a policy but replacement programmes and provision of effective cathodic protection systems are being considered.

Whilst HSE's remit does not include environmental issues, in respect of methane leakage, HSE's current priorities should further improve shrinkage rates and help deliver environmental improvements. The mains replacement programme will contribute most to reducing leaks but HSE is also looking at how the GDNs respond to gas leaks and how they programme repairs. GSMR places duties on GDNs in respect of response and repair times and we are looking at how they are complying with these requirements. Replacement of aging iron with new PE networks also provides GDNs with greater flexibility in pressure management – again providing further opportunities to minimise leakage.

We note the review will look at quality of service including measures such as the number and duration of supply interruptions. HSE understands the inconvenience for consumers when their supplies are cut off but would hope that the arrangements and incentives do not compromise safety.

You refer to the SOMSAs and the intentions of the GDNs to set up their own system control centres. This will be a material change to the iDNs safety cases which HSE will have to accept before they go ahead. Typically assessment will take 3 months although this is heavily dependent on the quality of the case. The assessment and acceptance of the safety cases should be recognised when Ofgem consider the lead times for setting up these arrangements.

Security of supplies is not a matter for HSE, but under GSMR, arrangements for minimising the risks of a gas supply emergency are. The GDN's safety cases include arrangements for ensuring there is sufficient network transmission capacity to meet 1 in 20 peak day demand. We therefore support incentives to ensure there is sufficient investment in pipeline infrastructure.

Please get back to us if you would like to discuss the issues raised in this letter or other matters in the review.

HSE welcome you putting this letter in the public domain as part of the consultation process.

Yours sincerely

**Steve Chatfield**  
**HM Principal Inspector**  
**Gas & Pipelines Unit**